CANADIAN EQUITY & DEVELOPMENT COMPANY LIMITED

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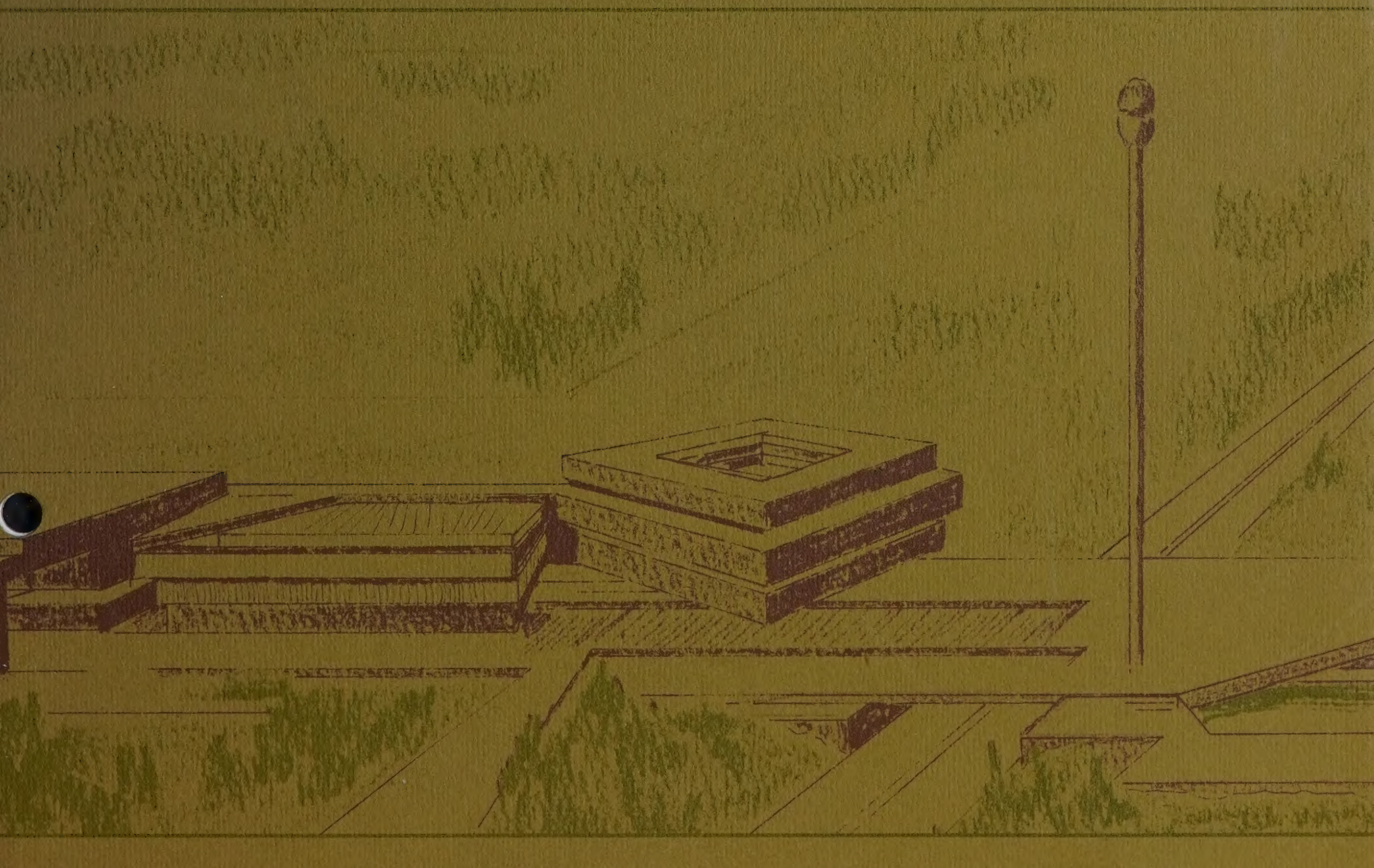
ANNUAL REPORT 1968



Our cover design is an artist's impression of Erin Mills centre, derived from his study of plans and models.

CANADIAN EQUITY & DEVELOPMENT COMPANY LIMITED

ANNUAL REPORT 1968

DIRECTORS

J. H. Daniels
A. E. Diamond
B. I. Ghert
E. L. Kolber
A. C. McClaskey
D. W. Naylor
G. J. Shear
N. R. Wood

OFFICERS

E. L. Kolber, *Chairman of the Board*
A. E. Diamond, *President*
N. R. Wood, *Vice-President*
J. Berman, *Vice-President*
R. C. Thornton, *Secretary-Treasurer*

TRANSFER AGENTS AND REGISTRARS

National Trust Company, Limited
Toronto, Montreal, Winnipeg, Calgary and Vancouver

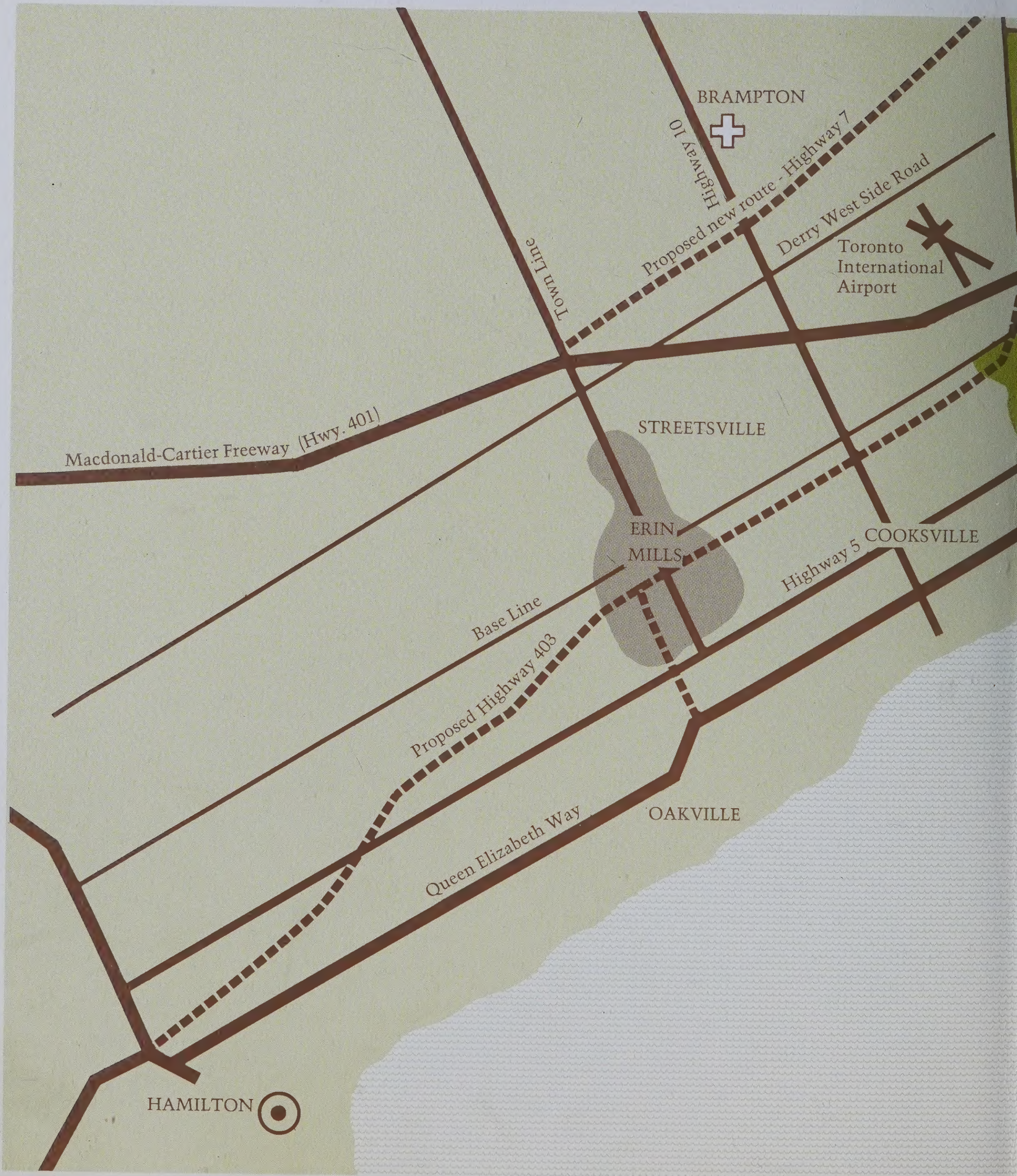
Montreal Trust Company
Halifax

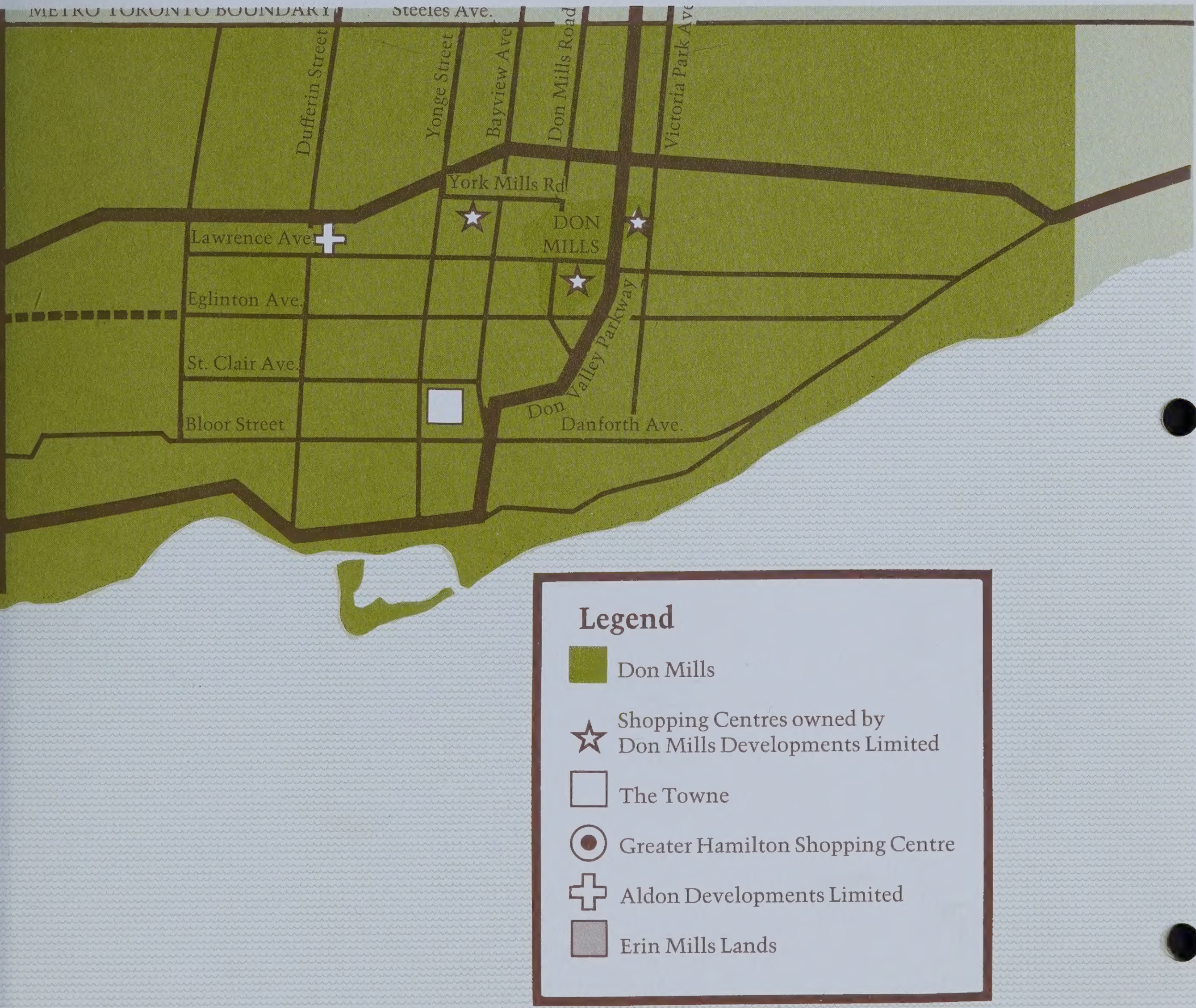
AUDITORS

Touche, Ross, Bailey & Smart

HEAD OFFICE

2171 Avenue Road,
Toronto 20, Ontario


BRAMPTON
Highway 10
Proposed new route - Highway 7
Derry West Side Road
Toronto
International
Airport
Town Line
Macdonald-Cartier Freeway (Hwy. 401)
STREETSVILLE
ERIN
MILLS
COOKSVILLE
Highway 5
Base Line
Proposed Highway 403
Queen Elizabeth Way
OAKVILLE
HAMILTON


METRO TORONTO BOUNDARY
Steeles Ave.
Dufferin Street
Yonge Street
Bayview Ave
Don Mills Road
Victoria Park Ave
York Mills Rd
DON
MILLS
Lawrence Ave
Eglinton Ave.
St. Clair Ave.
Bloor Street
Don Valley Parkway
Danforth Ave.
Legend
Don Mills
Shopping Centres owned by
Don Mills Developments Limited
The Towne
Greater Hamilton Shopping Centre
Aldon Developments Limited
Erin Mills Lands

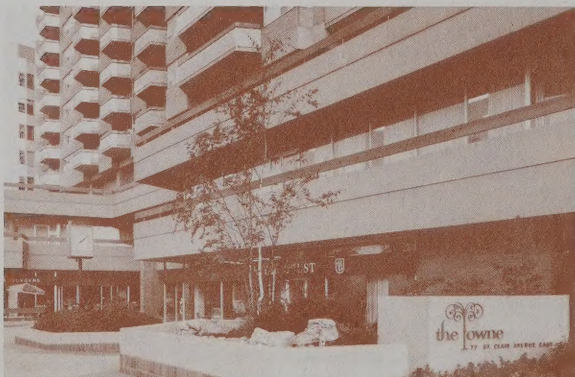
An aerial view of Don Mills Shopping Centre and the surrounding community of Don Mills in the Borough of North York, Ontario.

Financial Highlights

	1968	1967
Net income from operations (Before income taxes)	$2,617,940	$1,721,311
Net income	$1,189,240	$ 829,211
Net income per share	24.8¢	17.6¢
Gross rental income*	$2,494,868	$1,915,372
Net rental income*	$1,070,825	$ 782,123
Net income from sales of land	$1,449,218	$1,075,045

**Rental income figures do not include revenue of Greater Hamilton Shopping Centre Limited and [illegible]lon Developments Limited, in each of which, your Company owns a 50% interest.*

"The Towne" is an exciting complex of retail stores, offices and residential units, located on St. Clair Avenue near Yonge Street, in the City of Toronto, Ontario.



Report to the Shareholders

The year began with major changes in share ownership and management, of significance to your Company's operations and future.

To place these changes in perspective it might be helpful to briefly review the history of your Company since its formation in 1953.

HISTORICAL BACKGROUND

From the outset, the business of your Company has been the acquisition, development, subdivision and sale of land, and the development of revenue-producing properties. Most of these operations have been carried out through its subsidiary, Don Mills Developments Limited, a name most prominently identified with its major achievement thus far, the development of Don Mills. This balanced community in Metropolitan Toronto, containing a population of some 30,000 people in an area of 2,200 acres, is now complete. Except for the shopping centre properties, which are owned by your Company, the residential and industrial lands have been developed, sold, and built upon.

As the Don Mills development proceeded, the profits generated were used to develop revenue-producing real estate and to acquire other lands. The most important acquisition was the more than 6,000 acres west of Metropolitan Toronto in the West Credit Valley to be developed as Erin Mills — a community of some 130,000 residents together with all of the supporting and ancillary land uses that a community of this size would contain — commercial, industrial, institutional, and recreational.

Early in 1968, a consortium of Cemp Investments Ltd., Cadillac Development Corporation Limited and Canadian General Securities Limited, acquired a major share interest in your Company and, with this acquisition, certain changes in management were instituted.

MANAGEMENT OF ERIN MILLS

Under an agreement that provides remuneration on the basis of a percentage of net profit derived from Erin Mills lands, Cadillac Development Corporation Limited was engaged to manage the operation, and has since assembled a team of North America's leading planning consultants to work with its own staff with the objective of launching the enterprise at the earliest possible date, hopefully by 1970.

Cadillac Development Corporation Limited is a public real estate company which has been most active in the development of residential real estate in the Metropolitan Toronto area.

MANAGEMENT OF REVENUE-PRODUCING PROPERTIES

The Fairview Corporation Limited, a subsidiary of Cemp Investments Ltd., was engaged to assume management of the revenue-producing properties. The principle business of Fairview is the development, ownership and management of shopping

centres and office buildings. Fairview Corporation today manages and operates major shopping centres in several large Canadian cities, many of these shopping centres having been developed by the Corporation itself.

OTHER MANAGEMENT ADDITIONS

Your Company has been strengthened by the appointment of executive officers and directors, experienced and accomplished in the many aspects of real estate planning, development and management.

We have, therefore, the sense of confidence that comes from the knowledge that we have a team of people who know where they are going and how to get there.

SHARES TO BE POSTED FOR TRADING

Reference has been made to acquisitions of share interests of the Company by Cemp Investments Ltd., Cadillac Development Corporation Limited and Canadian General Securities Limited.

Immediately following the acquisition of these share interests, there were insufficient shares in the hands of the public and as a result, it was not possible for the Toronto Stock Exchange to ensure an orderly trading market. In June 1968, the Company and the Toronto Stock Exchange agreed that the shares were to remain listed but not posted for trading.

Subsequently, plans were made to broaden share ownership of the Company, resulting in a secondary distribution of 800,000 shares to the public in February 1969. We have, accordingly, requested that the Toronto Stock Exchange post your Company's shares for trading and anticipate that this will be effected shortly.

1968 OPERATIONS

To turn now to the results for the year 1968, I am pleased to report that net income after taxes for the year ended October 31, 1968 was $1,189,240 or 24.8 cents per share compared to $829,211 or 17.6 cents per share in the previous year, representing an increase of better than 40%. Net rental income increased by $288,702 or 37% and net income from sales of land by $374,173 or 35%.

For comparative purposes, net income for the year ended October 31, 1967 has been adjusted to reflect accounting policy changes made in 1968. Details of this adjustment are in Note 13 to the financial statements.

LAND SALES

Land sales of $1,428,425 were made during the 1968 fiscal year. The two largest sales making up this total consisted of approximately 16 acres of unserviced land in the Borough of North York and approximately 72 acres of Erin Mills lands purchased by the Ontario Hydro Electric Power Commission.

The Company has followed a policy of taking into income, profits on sales of land only as cash is received under agreements for sale and mortgages. As a result of this policy, at October 31, 1968, income from sales of land which was deferred to subsequent fiscal periods amounted to $2,298,416.

REVENUE-PRODUCING PROPERTIES

DON MILLS DEVELOPMENTS LIMITED

Rental income and direct operating expenses increased substantially in 1968. The major reason for these increases was that "THE TOWNE", had its first full year of operation in 1968. "THE TOWNE" is a complex consisting of retail stores, office space and 185 residential units with two levels of underground parking, located on St. Clair Avenue, near Yonge Street, in the City of Toronto.

Rental income from the Don Mills, Parkwoods Village and York Mills Shopping Centres was $95,931 higher in 1968 than in 1967. This increase was due mainly to greater percentage rents, as sales volume increased 6.3% over the previous year. The completion of construction of an additional 5,086 square feet of floor space in Don Mills Shopping Centre also contributed to the increase in shopping centre rental income.

The recent expansion of Eaton's store has made a substantial contribution to the overall well-being of the Centre.

GREATER HAMILTON SHOPPING CENTRE LIMITED

Your Company has a 50% share interest in Greater Hamilton Shopping Centre Limited. This company owns a 47 acre regional shopping centre which forms part of a large shopping complex situated in Hamilton, Ontario.

The Centre enjoyed a good year and the company's results from operations compare favourably with the immediately preceeding year.

ALDON DEVELOPMENTS LIMITED

Your Company also has a 50% share interest in this company and the other 50% share interest is owned by Dominion Stores Limited.

Aldon owns one neighbourhood shopping centre in Brampton, Ontario and one in Scarborough, Ontario, as well as four parcels of commercial land which are held for investment and leased under long-term leases to several tenants.

The company had satisfactory results from its operations for the year.

Members of the Erin Mills planning team include (left to right): John Bousfield, John Daniels, Eli Comay and James Murray.

THE FUTURE

Looking to the future, our attention is of course focussed on the development of Erin Mills.

When the new management group considered the development of Erin Mills, it decided to replan the Townsite in conformity with prevailing social pressures and changes which had taken place in the Metropolitan Toronto planning area in the past several years. Various outstanding consultants have been engaged; among them, Eli Comay, formerly Metropolitan Toronto Commissioner of Planning; Professor James Murray of the University of Toronto, who is an architect and town planner of international renown, and John Bousfield, formerly planning director of Scarborough and a principal in the firm of Proctor, Redfern, Bousfield and Bacon. Coordination of this planning team is under the direction of John H. Daniels, Architect, a director of the Company.

Special consulting in traffic matters is being performed by Barton Aschman Inc. of Chicago, one of the largest consultants with international experience in that field. Dr. D. S. Abbey, of the Ontario Institute for Studies in Education, provided a report on the future educational trends and the application of these trends to a new community.

Mr. Donald Patterson has been engaged to study population trends and movements. Mr. Perry Meyers of New York City is the Company's consultant on commercial aspects of the town, while the Toronto firm of Proctor & Redfern has been retained to do the civil engineering work. Marshall, Macklin, Monaghan Limited executed the survey work.

Planning of the entire Townsite is being coordinated with the appropriate officials and staff of the Town of Mississauga and the Province of Ontario. It is expected that the complete planning concept and the town plan, together with supporting material, will be available for presentation in the near future.

One of the most important prerequisites for community development is the road and highway networks which serve it and connect it with major centres of population and activity. In this connection Erin Mills is fortunate. Its southern lands are bounded by Highway 5 (Dundas Street) and its northern lands by Highway 401. Already running through the middle of the community from east to west is Base Line Road, and running south is Southdown Road, which connects now with the Queen Elizabeth Way at a highway interchange. Of even greater importance in the future, however, is the proposed location of Highway 403 running through the heart of the community. It will eventually connect Toronto and Hamilton. Along the westerly boundary of Erin Mills will be a connection between Highway 403 and the Queen Elizabeth Way. Based on the

latest advice from the Department of Highways of Ontario, it appears that the timetable for construction of Highway 403 will coincide with our own schedule for development of the lands immediately affected. In terms of time-distance, this new transportation corridor will bring the community in close proximity to both Toronto and Hamilton.

Special mention has to be made of the importance of the program recently undertaken by the Ontario Water Resources Commission (OWRC) in the supply of water and the acceptance of sanitary sewage. After many years of negotiation, the OWRC and a number of municipalities have executed an agreement under which the Commission proceeds with the installation of water works and sewage works. All of the lands in Erin Mills are in the Credit Valley watershed, which is one of the major works included in the agreement between the Commission and the various municipalities. In effect, the enormous investment by the Province in this scheme is a crystallization of Provincial Government policy that Mississauga and other municipalities in the southern part of Peel County have been recognized as growth areas in the immediate future. As Mississauga Mayor, Robert Speck, said upon the signing of the OWRC agreement: "The implementation of this program will result in new development unparalleled in the history of the municipalities involved."

The Province's multi-million dollar investment will be recovered on a user-tax basis as the lands are developed. It appears quite obvious that the Provincial Government will be interested in encouraging growth as quickly as feasible, consistent with the balanced and orderly growth of the municipalities within the service area, so that the Province's investment will be recovered within a reasonable time.

Despite all of these favourable factors, land development has its costs. These include the installation of various municipal services, such as streets, local water and sewer mains, park dedications, provision for social and recreational amenities such as arenas, swimming pools and libraries. In addition, the Company will be required to pay the municipality any educational tax shortfall resulting for five years in respect of each approved stage of development, but this tax shortfall will be relieved to the extent of industrial and commercial developments taking place contemporaneously with the residential growth. These are reasonably standard municipal requirements imposed upon the developers and have been taken into account in the budgeting process.

It is the Company's present intention to sell all of the single-family lots to various house builders. Industrial developers will be encouraged to buy land and develop industrial property, but it is expected that Don Mills Developments will, if requested, provide industrial space on a lease basis

in special circumstances. Don Mills Developments will develop and build for its own account such commercial and residential lands as may suit its particular investment needs from time to time.

Immediately after the formal presentation of our planning concept, it is expected that the processing of plans will commence. This includes negotiations with a number of government agencies at both Municipal and Provincial levels most directly affected by development of these lands. After these approvals are obtained, the plans of subdivision of the first phase of the lands will be registered and it is expected that on-site work will begin immediately after this first plan has been registered. Thereafter, it is anticipated that there will be a continuous program of growth until completion of the entire project some 15 years later.

As cash is generated from land sales in Erin Mills, it is the intention of management to seek other potential sources of real estate development in its various aspects, in order to perpetuate the policies and growth that started with the original Don Mills development.

In concluding this report, it must be noted that the Company owes a debt of gratitude to Mr. Angus McClaskey, a former President who is retiring from active participation in the management of the Company. He was a key member of the enterprise from its inception, and we are delighted that Mr. McClaskey will continue to provide his judgment and expertise as a director. Thanks are due also to our competent and hard-working staff who helped to make 1968 a successful year.

April 7, 1969

A. E. Diamond,
President

CANADIAN EQUITY & DEVELOPMENT COMPANY LIMITED
and Subsidiary Company

ASSETS	1968	1967
Cash and short term notes	$ 2,940,173	$ 757,390
Accounts and mortgages receivable (Note 2)	3,872,439	5,406,497
Properties under development (Note 3)	8,590,318	8,396,848
Income producing properties less accumulated depreciation of $1,575,304; 1967 — $1,340,876 (Notes 4 and 6)	16,843,027	17,007,108
Investments in affiliated companies (Note 5)	825,500	865,500
Prepaid expenses and sundry assets	125,650	85,841
Debenture discount and financing expenses less amortization	1,069,283	1,173,583
	$34,266,390	$33,692,767

On behalf of the Board

A. E. Diamond, *Director*

D. W. Naylor, *Director*

Consolidated Balance Sheet

October 31, 1968 (with comparative figures for 1967)

LIABILITIES	1968	1967
Accounts payable	$ 462,666	$ 597,620
Income taxes	742,692	340,614
Prepaid rental income	216,230	196,083
Mortgages (Note 6)	6,743,136	7,105,920
6½ % Secured Sinking Fund Debentures Series A (Note 7)	5,712,000	5,900,000
	13,876,724	14,140,237
Deferred income taxes (Note 8)	350,000	—
Deferred income from sales of properties (Note 9)	2,298,416	2,618,936
	$16,525,140	$16,759,173
SHAREHOLDERS' EQUITY		
Capital Stock (Note 10)		
Common Shares		
Authorized — 6,500,000 common shares without par value		
Issued and fully paid — 4,793,850 shares; 1967 — 4,716,850 shares	$ 6,868,575	$ 6,630,275
Excess of book value of net assets of subsidiary over stated value of shares issued therefor (Note 1)	—	1,336,129
Excess of appraised value of income producing properties over depreciated cost (Notes 1, 4 and 11)	5,182,965	4,533,562
Retained earnings	5,689,710	4,433,628
	17,741,250	16,933,594
	$34,266,390	**$33,692,767**

CANADIAN EQUITY & DEVELOPMENT COMPANY LIMITED
and Subsidiary Company

Consolidated Statement of Income
Year ended October 31, 1968 (with comparative figures for 1967)

	1968	1967 (Note 13)
RENTAL INCOME	**$2,494,868**	**$1,915,372**
Property operating expenses	728,554	529,757
Mortgage interest	452,462	403,2[illegible]
Depreciation (Note 4)	243,027	200,266
	1,424,043	1,133,249
NET RENTAL INCOME	**1,070,825**	**782,123**
Sales of land	1,428,425	5,615,460
Cost of land sales	299,727	2,530,691
	1,128,698	3,084,769
Less amount deferred (Note 9)	662,994	2,232,225
	465,704	852,544
Earned portion of deferred income from sales of land in prior years (Note 9)	983,514	222,501
NET INCOME FROM SALES OF LAND	**1,449,218**	**1,075,045**
INTEREST AND SUNDRY INCOME	**350,490**	**169,589**
EXPENSES		
General and administrative	180,543	252,510
Interest other than mortgage interest on income producing properties	—	16,925
Amortization of debenture discount and financing expenses (net of discount on debentures purchased)	72,050	36,01[illegible]
	252,593	305,446
INCOME FROM OPERATIONS	**2,617,940**	**1,721,311**
Income taxes payable	1,078,700	448,100
Deferred income taxes (Note 8)	350,000	444,000
	1,428,700	892,100
NET INCOME	**$1,189,240**	**$ 829,211**

Consolidated Statement of Retained Earnings

Year ended October 31, 1968 (with comparative figures for 1967)

	1968	1967
Balance — beginning of year	$4,433,628	$3,913,406
Net income for the year (Note 13)	1,189,240	728,605
Realization of appraisals	20,238	27,459
Transfer from "excess of book value of net assets of subsidiary over stated value of shares issued therefor" (Note 1)	666,490	—
	6,309,596	4,669,470
Dividends	619,886	235,842
Balance — end of year	$5,689,710	$4,433,628

CANADIAN EQUITY & DEVELOPMENT COMPANY LIMITED
and Subsidiary Company

Consolidated Statement of Source and Application of Cash

Year ended October 31, 1968

SOURCE OF CASH	1968
Operations	
Net income	$1,189,240
Add: Charges not requiring cash outlay	
Deferred income taxes	350,000
Depreciation	243,027
Amortization of debenture discount and financing expenses before discount of $32,250 on debentures purchased	104,300
Total from operations	1,886,567
Collections of accounts and mortgages receivable of $1,534,058 less decrease in deferred income from sales of properties of $320,520	1,213,538
Proceeds of exercise by employees of options for common shares	238,300
Receipt of investment in affiliated company	40,000
Increase in other liabilities less increase in other asset	247,462
	$3,625,867
APPLICATION OF CASH	
Increase in properties under development	193,470
Increase in income producing properties	78,944
Repayment of mortgage principal	362,784
Purchase of 6½% Secured Sinking Fund Debentures Series A	188,000
Dividends	619,886
Increase in cash	$2,182,783
	$3,625,867

Auditors' Report

THE SHAREHOLDERS,

Canadian Equity & Development Company Limited

We have examined the consolidated balance sheet of Canadian Equity & Development Company Limited and its subsidiary company as at October 31, 1968, and the consolidated statements of income and retained earnings and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company and its subsidiary company as at October 31, 1968 and the results of their operations and the source and application of their cash for the year then ended in accordance with generally accepted accounting principles applied, except for the changes, which we approve, described in Notes 3, 4, and 8 to the consolidated financial statements, on a consistent basis.

Touche Ross Bailey & Smart

TOUCHE, ROSS, BAILEY & SMART
CHARTERED ACCOUNTANTS

Toronto, Ontario,
January 21, 1969.

Notes to Consolidated Financial Statements

October 31, 1968

1. CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Don Mills Developments Limited. A subsidiary, Wrentham Estates Limited, the shares of which were acquired on March 1, 1965, was amalgamated with Don Mills on November 1, 1966. The book value at date of acquisition of the shares of Wrentham was $1,746,404, the purchase price having been satisfied by the issuance by the Company of 50,000 common shares without par value (as presently constituted) to which a value of $410,275 was assigned and the balance of $1,336,129 was recorded as "excess of book value of net assets of subsidiary over stated value of shares issued therefor". The assets of Wrentham consisted principally of a shopping centre and vacant land. The shopping centre was appraised in 1963 and at October 31, 1968 was stated at $669,639 in excess of its depreciated cost. The vacant lands had been sold by October 31, 1968. The balance of $1,336,129 has been eliminated by crediting $669,639 to "excess of appraised value of income producing properties over depreciated cost" and by crediting $666,490 to retained earnings.

2. ACCOUNTS AND MORTGAGES RECEIVABLE

These consist principally of balances due from sales of land which balances are secured by agreements of purchase and sale or mortgages taken back and are receivable approximately as follows:

Years ending October 31, 1969	$ 962,500
1970	551,500
1971	1,666,000
1972	281,500
Subsequent to October 31, 1972	410,939
	$3,872,439

The agreements of purchase and sale and the mortgages provide for earlier payment in the event that development takes place prior to the maturity dates.

3. PROPERTIES UNDER DEVELOPMENT

These consist of the Erin Mills Lands at cost. For the fiscal year ended October 31, 1968 the Company adopted the policy of capitalizing as costs of these properties the interest, realty taxes and other carrying charges (aggregating in 1968 $379,000 net of rental revenue) directly attributable to the said lands, including the interest on the Series A Debentures. In prior years such costs were written off in the year incurred.

4. INCOME PRODUCING PROPERTIES

These consist of three shopping centres, a combined commercial-apartment complex and in addition, several parcels of land leased to others. The properties are stated on the basis of cost except in the case of certain properties appraised in 1962 and 1963 which are stated at $5,182,965 in excess of depreciated cost. Depreciation on the building portion thereof was previously recorded at varying rates (but principally on a straight-line basis at 2½% per annum) on the values at which the depreciable property was carried on the books of the Company. For the year ended October 31, 1968 the Company adopted the sinking fund method of depreciation under which an increasing amount, consisting of a fixed annual sum together with interest compounded at the rate of 5% per annum, is charged to income so as to fully depreciate the shopping centres over a forty year period and the commercial-apartment complex over a fifty year period. The provision for depreciation for the year ended October 31, 1968 is the amount that would have been charged for the year, had the Company calculated depreciation on the sinking fund basis in each fiscal year commencing November 1, 1962 (being the effective date on which the appraised income producing properties were first recorded at their appraised values), and is $194,000 less than the amount that would have been charged on the previous basis.

5/ INVESTMENTS IN AFFILIATED COMPANIES

These are 50% interests in two companies which own income producing properties. The investments consist of shares and debentures or notes receivable and are carried at cost which amount is approximately $195,000 less than the book value of the Company's equity in such companies as shown by their books at October 31, 1968.

6. MORTGAGES

The income producing properties are subject to mortgages which bear interest at an average rate of 6.6% per annum and are repayable as to principal approximately as follows:

Years ending October 31, 1969	$ 417,500
1970	337,000
1971	322,500
1972	343,000
1973	354,500
1974	366,500
1975	391,000
1976	416,500
1977	407,500
1978	232,000
Subsequent to October 31, 1978	3,155,136
	$6,743,136

7. 6½% SECURED SINKING FUND DEBENTURES SERIES A

The trust deed under which the Series A Debentures were issued provides for the establishment of a sinking fund to retire $100,000 principal amount of Series A Debentures on February 15 in each of the years 1969 and 1970 and to retire $130,000 principal amount thereof on February 15 in each of the years 1971 to 1990 inclusive. The balance of principal is due February 15, 1991. The Series A Debentures are secured by a first fixed and specific mortgage on the Erin Mills Land, and subject to certain prior encumbrances, a fixed and specific mortgage on the income producing properties.

Provisions of the trust deed restrict payment or distribution by way of dividends, redemption of shares, reduction of capital or otherwise except out of the "consolidated net earnings available for dividends" (as defined in the trust deed) earned subsequent to October 31, 1965 plus the net cash proceeds to the Company of the issue after such date of any of its shares. The Series A Debentures are redeemable at the option of the Company at varying premiums to maturity. At the present time the premium is 5½% and it decreases at the rate of ¼ of 1% per annum.

8. INCOME TAXES

The Company proposes to claim for income tax purposes certain charges which have been capitalized as costs of properties under development (Note 3) and depreciation on income producing properties in excess of recorded depreciation.

Prior to the year ended October 31, 1968 the Company followed the taxes payable method of accounting for income taxes and it did not record deferred income taxes on the excess of income reported for financial statement purposes over taxable income. In 1968 the Company changed to the tax allocation method of accounting for income taxes as recommended by the Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants. Deferred taxes not recorded at October 31, 1968 amounted to approximately $950,000.

9. DEFERRED INCOME FROM SALES OF PROPERTIES

Income resulting from sales of properties where the unpaid balances of the purchase prices are secured by mortgages or agreements of purchase and sale is deferred for both accounting and income tax purposes and recorded on the basis of the cash instalments received during the year.

10. CAPITAL STOCK

77,000 common shares were issued during the year for an aggregate consideration of $238,300 as a result of the exercise by employees of stock options. 9,000 common shares are reserved in respect of an option held by a director of the Company to purchase common shares at a price of $3.00 per share. 44,000 common shares are reserved and may, in the discretion of the directors of the Company, be used to grant options to employees of the Company.

11. EXCESS OF APPRAISED VALUE OF INCOME PRODUCING PROPERTIES OVER DEPRECIATED COST

Balance — November 1, 1966		$4,561,023
Realization of Appraisals		
Years Ending October 31, 1967	$27,459	
1968	20,238	
		47,697
		4,513,326
Amount applicable to shopping centre owned by amalgamated subsidiary (note 1)		669,639
Balance — October 31, 1968		$5,182,965

12. LEASE OBLIGATIONS

The subsidiary is the lessee under a ground lease which has an unexpired term of 116 years and provides for an annual rental of $63,375 until 1999 after which time the annual rental is subject to negotiation.

13. CHANGES IN ACCOUNTING POLICY

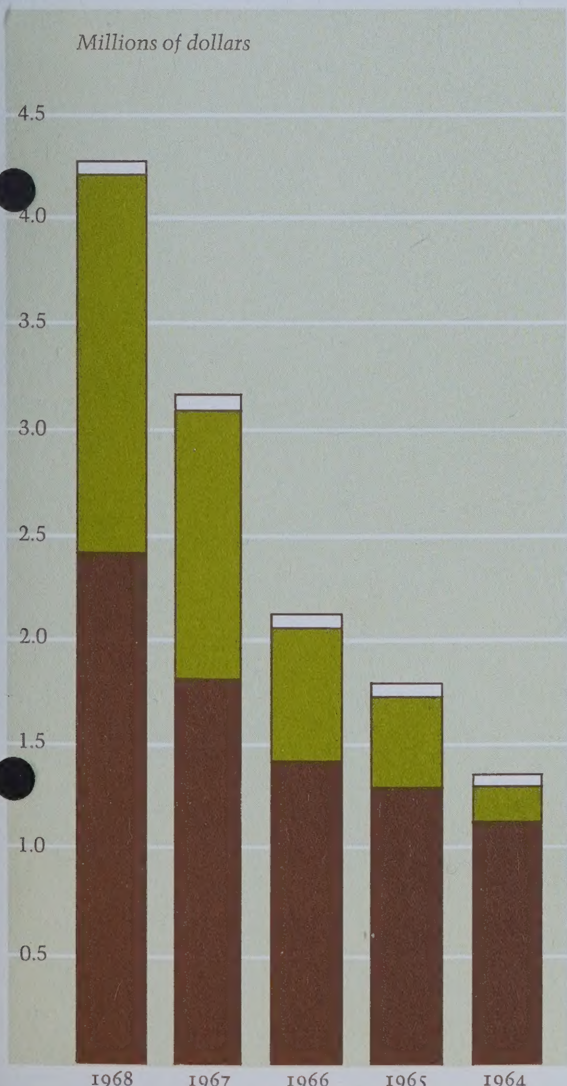
Notes 3, 4 and 8 to the consolidated financial statements refer to changes in accounting policy adopted for the fiscal year ended October 31, 1968. The consolidated statement of income for the year ended October 31, 1967 reflects the adjusted results from operations for that year had such policies been in effect for that year, however, the adjustments to net income as originally reported have n[ot] been recorded in the accounts. The following is a reconciliation of the net income as originally reported with the net income as adjusted.

Net income as originally reported		$ 728,605
Adjustments to net income as originally reported		
Depreciation as originally reported	$342,778	
Depreciation as adjusted (note 4)	200,266	
		142,512
Amounts capitalized as cost of properties (note 3)		402,094
		1,273,211
Deferred income taxes (note 8)		444,000
Net income as adjusted		$ 829,211

Because of these changes in accounting policy, the statement of source and application of cash has not been presented on a comparative basis.

Gross Revenue from Operations

- Ground leases
- Land sales
- Shopping centres and apartments



Net Income

(1) Reference is made to Notes 3, 4 and 8 of the Notes to the consolidated financial statements. The graph below reflects the results from operations for the four years ended October 31, 1964 to 1967 inclusive had deferred income taxes been recorded in the accounts and had the policies adopted by the Company for the fiscal year ended October 31, 1968 with respect to capitalized costs and depreciation been in effect.